

# Memorandum

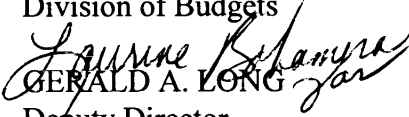
*Flex your power!  
Be energy efficient!*

To: JUDY O'DAY  
Chief  
Division of Human Resources

Date: October 30, 2009

File: P3000-390

STEVEN KECK  
Chief (Interim)  
Division of Budgets

From:   
GERALD A. LONG  
Deputy Director  
Audits and Investigations

Subject: Final Audit Report – Position Control

Attached is Audits and Investigations' final audit report of the Department's Position Control process. Your written responses have been included as part of the report. This report is intended for your information and Department Management. As a matter of public record, the report will be included on the Reporting Transparency in Government Web site.

Please provide our office with status reports on the implementation of your audit finding dispositions 60, 180, and 360 days subsequent to the report date. If findings have not been corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved.

We thank you and your staff for their assistance during this audit. If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

## Attachment

c: Randell H. Iwasaki, Director  
Cindy McKim, Chief Deputy Director  
Susan Hogg, Deputy Director, Administration  
Norma Ortega, Chief Financial Officer (Interim)  
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations  
Lydia Lewis, Chief, Office of Transaction Services, Discipline Services, and Staff Central,  
Division of Human Resources  
Sandie Martinez, Chief, Policy and Development Branch, Division of Budgets  
Kevin Yee, Audit Supervisor, Audits and Investigations  
Laddavanh Southyanon, Auditor, Audits and Investigations

<b>P3000-390</b>
<b>Position Control Division of Human Resources Division of Budgets</b>
<b>October 2009</b>

**Gerald A. Long**  
**Deputy Director**  
**Audits and Investigations**  
**California Department of Transportation**

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## **Summary**

Audits and Investigations (A&I) has completed an audit of the controls over the California Department of Transportation's (Department) position control process, including the new automated year-end reconciliation process, to determine if position information is timely and accurate, monitored throughout the fiscal year, and provides compliance with legislative requirements.

Our audit disclosed that, in general, the Department's position control processes and procedures are adequate and provide timely and accurate position information to assist the Department in making position related decisions. The Position Tracking Automated System (PTAS) is monitored throughout the fiscal year and provides a tool to ensure compliance with legislative position control requirements. However, we found that the Division of Human Resources (DHR) and the Division of Budgets (Budgets) can improve controls in the following areas:

- Develop written desk procedures for the automated year-end reconciliation process.
- Ensure monthly reconciliations are consistently being performed.

## **Background**

DHR, a function under the Administration Program, provides personnel/payroll services for the Department's employees. DHR consists of several offices including the Office of Transaction Services, which performs the Department's record keeping, payroll, and position control functions. Our audit focused on the function of position control, which is managed by the Position Management Section within the Office of Transaction Services. The Position Management Section is responsible for maintaining the Department's personnel position information utilizing the PTAS application. We also audited the Budgets process of reconciling positions and dollars with the State Controller's Office (SCO) at year-end.

In 1978, the Department of Finance (DOF) delegated authority to the Department to abolish and establish positions. However, the delegation was rescinded on March 16, 2001, and required the Department to begin tracking positions. As a result, the Department implemented a position control system that was designed to serve both the Department's internal management needs as well as external requirements for position accountability.

To address external control agency concerns, the Department installed the PTAS application in 2003. This application is used to reconcile the Department's authorized (filled and vacant) positions to the SCO position records and by district resource managers to monitor positions

**Background  
(Continued)**

throughout the fiscal year and at fiscal year-end. The PTAS application is a system that does not include budgetary data associated with complete position management systems. The budgetary data is a function of Budgets, which is responsible for its review and updating.

In July 2008, the Department implemented an automated system to facilitate the year-end reconciliation of positions with SCO. The purpose of this new automated system is to streamline the year-end reconciliation process for both DHR and Budgets. Our audit included a review of the new automated reconciliation process.

**Objectives,  
Scope, and  
Methodology**

We performed this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit covered the period of June 1, 2008, through February 28, 2009. The objectives of the audit were to determine if:

- Controls over the position control system are adequate to ensure position transactions are accurately and timely processed.
- Position control is monitored at the Department level and by the district/division throughout the year.
- Current position management processes and controls adhere to the legislative requirements in Government Code (GC) Section 12439 and State Administrative Manual (SAM) Section 6445, Vacant Positions.
- PTAS has been reconciled to SCO as of July 1, 2008, and subsequent position changes were accurately and timely captured.
- The district/division is in compliance with the Financial Integrity and State Managers Accountability Act of 1983 (FISMA), SAM Sections 20050 through 20060.

To achieve the objectives of the review, we did the following:

- Interviewed management in DHR and Budgets to gain an understanding of their roles and responsibilities within the Department.
- Performed a monthly reconciliation of PTAS with the SCO reports.
- Reviewed the Department's vacant, re-classified, and abolished positions to ensure the Department did not execute any personnel transactions for the purpose of circumventing the provisions of GC Section 12439 and SAM Section 6445.
- Performed a year-end reconciliation of the positions per SCO and PTAS.

**Conclusion**

Our review disclosed that the Department's position controls are adequate to ensure that position transactions are accurately and timely processed.

**Conclusion  
(Continued)**

The use of PTAS has improved the Department's ability to monitor its positions at both the Department and district level throughout the year. Additionally, the new automated year-end reconciliation process has provided the Department with an effective and efficient new tool, which streamlines the reconciliation process. Although the Department's current position tracking processes and controls generally adhere to legislative requirements in GC Section 12439 and SAM Section 6445, controls could be strengthened as follows:

- Develop written desk procedures for the automated year-end reconciliation process.
- Ensure monthly reconciliations are consistently being performed.

DHR and Budgets should address the deficiencies outlined in the bullets above, and in more specific detail, in the findings and recommendations section of this report.

**Views of  
Responsible  
Officials**

We requested and received responses from the Chief, Division of Human Resources, and the Chief, Division of Budgets. These officials have concurred with the findings and recommendations. Please see attachments for the complete responses.

**GERALD A. LONG**  
**Deputy Director**  
**Audits and Investigations**

**March 9, 2009**  
**(Last Day of Field Work)**

## FINDINGS AND RECOMMENDATIONS

### **Finding 1 – Develop Written Desk Procedures For The Automated Year- End Reconciliation Process**

The State Controller's Office (SCO) will prepare a Schedule 8 report from the position and payroll rosters for all positions existing on June 30 of each fiscal year. The Division of Human Resources (DHR) performs a reconciliation of the California Department of Transportation's (Department) positions in the Position Tracking Automated System (PTAS) with the SCO position records, and provides updated Schedule 8 reports to the Division of Budgets (Budgets). Budgets finalizes the Department's position reconciliation using the information from the Schedule 8 reports.

During our review of policies and procedures, we noted that the DHR and Budgets do not have written desk procedures in place for the new automated year-end reconciliation process.

The State Administrative Manual (SAM) Section 20050, Internal Control, states that "State entity heads, by reason of their appointments, are accountable for activities carried out in their agencies. This responsibility includes the establishment and maintenance of internal accounting and administrative controls. Each system an entity maintains to regulate and guide operations should be documented through flowcharts, narratives, desk procedures, and organizational charts. The ultimate responsibility for good internal control rests with management."

Without written desk procedures, there may be inconsistent and untimely year-end reconciliation with the SCO. According to DHR and Budgets, desk procedures have not been developed, in part, due to other work priorities. DHR management stated that their staff follow other guidelines in processing the Schedule 8, such as the Position Management Process Guidelines, and the Position Tracking Automated System (PTAS) District User's Manual. DHR and Budgets also indicated that they are in the process of developing specific desk procedures for their staff.

### **Recommendation**

DHR and Budgets should develop written desk procedures for the automated year-end reconciliation process. Assigned staff and alternates should be familiar with and understand the desk procedures to ensure the reconciliation is performed consistently, accurately, and timely.

### **Division of Human Resources' Response**

The revision and updating of procedures for position management is one of Position Management and Special Project's strategic objectives for fiscal year 2009/10. The updated procedures on the new automated year-end reconciliation process will be completed by April 30, 2010. (See Attachment 1.)

**Division of  
Budgets' Response**

In December 2009, Budgets staff will begin meeting to outline and define this process. In addition, Budgets will include the Division of Information Technology's system administrator to ensure these processes are included. Budgets are proposing to complete these written desk procedures by June 30, 2010. (See Attachment 2.)

**Finding 2 –  
Ensure Monthly  
Reconciliations  
Are Consistently  
Being Performed**

DHR staff is responsible for performing monthly reconciliations of the PTAS positions to SCO positions. Our audit testing identified that one of the three DHR staff responsible for performing monthly reconciliations did not consistently perform them. In addition, for the two staff that did perform monthly reconciliations, no documentation was maintained to support that monthly reconciliations were performed to document the accuracy of DHR's positions.

SAM, Section 20050, states, to provide for good internal control, managers should ensure that financial and operational reporting is timely and can be used as an effective management tool and that procedures are established to assure that control in all areas of operation are evaluated on a reasonable and timely basis.

Good business practices dictate that reconciliations be performed in a consistent and timely manner to ensure accurate and timely data and prevent errors from escalating over time. Without monthly reconciliations, DHR does not have an adequate control system to monitor and ensure position transactions reconcile with the SCO position reports.

According to DHR management, they have not had time to provide training to all staff on preparing the monthly reconciliations due to other work priorities.

**Recommendation**

DHR should ensure that staff perform required monthly reconciliations and retain copies. The monthly reconciliations should include the preparer's name, reviewer's name, date prepared, and date reviewed to ensure that the supportive reconciliation is adequately and timely performed.

**Division of Human  
Resources'  
Response**

DHR will implement a new procedure to ensure that the monthly reconciliation is done on a consistent basis. DHR will explore and implement a method to track and retain files containing the data used in the automated reconciliation process by November 30, 2009. (See Attachment 1.)



**Audit Team**

Laurine Bohamera, Chief, Internal Audits  
Kevin Yee, Audit Supervisor  
Laddavanh Southiyanon, Auditor  
Sharon Stewart, Auditor  
Marie Salvacion, Auditor

## ATTACHMENT 1


### DIVISION OF HUMAN RESOURCES' RESPONSE TO THE DRAFT REPORT

## Memorandum

*Flex your power!  
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To: GERALD LONG  
Audits and Investigations

Date: October 6, 2009

From: JUDY O'DAY   
Chief  
Division of Human Resources

Subject: Audit Report on Position Control (PTAS) P3000-0363

The Division of Human Resources (DHR), Office of Transaction Services met with your staff regarding the audit findings in the Audit Report on Position Control. The following is DHR's response to the audit.

**Finding 1: Develop written desk procedures for the automated year end reconciliation process.**

The revision and updating of procedures for position management is one of Position Management and Special Projects' strategic objectives for fiscal year 09/10. The updated procedures on the new automated year-end reconciliation process will be completed by April 30, 2010.

**Finding 2: Ensure monthly reconciliations are consistently being performed.**

DHR will implement a new procedure to ensure that the monthly reconciliation is done on a consistent basis. DHR will explore and implement a method to track and retain files containing the data used in the automated reconciliation process by November 30, 2009.

A work plan is enclosed that addresses the findings identified by Audits & Investigations. If you have any questions, please contact Lydia Lewis at (916) 227-7413 or Patrick Cancilla at (916) 227-5193.

Enclosure

C: Lydia Lewis  
Patrick Cancilla  
Glenda Lewis

**Position Control Audit  
P3000-0363  
Workplan for Division of Human Resources  
10/05/09**

<b>Finding</b>	<b>Recommendation/Action Item</b>	<b>Responsible Party</b>	<b>Status/Deadline for Completion</b>	<b>Completed (show date)</b>
#1	<ul style="list-style-type: none"> <li>Develop written desk procedures for the automated year end reconciliation process</li> </ul>	Division of Human Resources Division of Budgets (Patrick Cancilla/Glenda Lewis /Budget Staff)	April 2010	
#2	<ul style="list-style-type: none"> <li>Develop process to ensure monthly reconciliations are consistently being preformed</li> <li>Develop method to retain an electronic copy of the reconciled data</li> </ul>	Division of Human Resources (Patrick Cancilla/Glenda Lewis)  Division of Human Resources (Patrick Cancilla)	November 2009  November 2009	

## ATTACHMENT 2


### DIVISION OF BUDGETS' RESPONSE TO THE DRAFT REPORT

## Memorandum

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To: GERALD A. LONG  
Deputy Director  
Audits and Investigations

Date: October 21, 2009

From:  STEVEN KECK  
Interim Division Chief  
Division of Budgets

Subject: Draft Report – Position Control Audit

The Division of Budgets (Budgets) has reviewed and agrees with the Division of Audits and Investigations findings and recommendations as defined in subject draft report. As a result of Finding 1 - Develop Written Desk Procedures for the Automated Year-End Reconciliation Process, written desk procedures for Budgets' component in the automated year-end reconciliation process will be prepared.

In December 2009, Budgets staff will begin meeting to outline and define this process. In addition, Budgets will include the Division of Information Technology's system administrator to ensure these processes are included. Budgets are proposing to complete these written desk procedures by June 30, 2010.

When the final report is issued, Budgets will provide 60-, 180-, and 360-day feedback on the progress of completing these written procedures.

If you have any questions or need additional information please contact me at (916) 654-4556 or Sandie Martinez, Chief, Budget Policy and Development Branch at (916) 654-6582.